



**USAID** | **MONGOLIA**  
FROM THE AMERICAN PEOPLE

# ***The Mongolia Monitor***

*News from USAID/Mongolia*

**No. 48**

**July 2005**

Sweet July. Warm days, cool nights. The season of national festivities, with Nadaam in full swing and everybody in high holiday spirits. It's a great time for family and friends, a great time to go to the field, and a great time to be in Mongolia.

## **Political Update**

On August 2, the MPRP and Democratic Party agreed to continue the Grand Coalition Government for a full four years. The agreement resolved what had been a mounting political crisis in the preceding week, and also eases uncertainties caused by the December 2004 dissolution of the Motherland-Democracy Coalition (MDC). The August 2 pact largely revalidated the August 2004 agreement between the MPRP and MDC, with a few new provisions. Under the August 2 agreement, the Democratic Party gained the right to form its own caucus in the State Great Hural (SGH); MDC members had become independents after the MDC's collapse. In another change, the MPRP and the Democratic Party agreed that, in any parliamentary by-election, the party which won the seat in June 2004 will not face a challenge from the other party. Prime Minister Elbegdorj of the Democratic Party accordingly withdrew from the Ulaanbaatar-area by-election to be held August 28. While the by-election will still be held with a number of candidates, Elbegdorj's withdrawal clears the way for UB Mayor M. Enkhbold, the new MPRP party chairman, to easily win election to the seat vacated by N. Enkhbayar. Enkhbayar became President in June.

The SGH adjourned its Spring session on August 5. It will next sit on October 5. Several important pieces of draft legislation, including the new tax law, will be taken up again in the Fall session. On July 8, Nyamdorj was chosen as the new Speaker of the SGH, filling the position vacated by Enkhbayar. Nyamdorj's former position as Justice and Home Affairs Minister was left temporarily vacant, with Deputy Prime Minister Ch. Ulaan taking a watching brief for the ministry.

## **USAID News**

July started on a high note, with USAID Representative Skip Waskin and Senior Program Manager Jeff Goodson taking off for the far west for a week to visit project field sites, meet the aimag governors, and scope out the development potential in some of the more remote parts of Mongolia that neither had visited before. They returned just before Nadaam, when the festivities effectively shut down the country for a week. Immediately after Nadaam, a three-person team began a joint evaluation of the Gobi and GER projects, with results due in mid-August. The political situation remained highly volatile, only settling down as the month came to a close.

## PART I: USAID PROGRAM NEWS

### STRATEGIC OBJECTIVE 1: PRIVATE SECTOR-LED ECONOMIC GROWTH

#### **Economic Policy Reform and Competitiveness Project (EPRC)**

*Chemonics*

[www.eprc-chemonics.biz](http://www.eprc-chemonics.biz)

#### *Economic, Financial, and Trade Policy Support*

##### **Tax reform**

*Tax Reform Communications Strategy.* The weekly briefing series continued in July, with three updates published in four local newspapers. Topics included Corporate Income Tax, Value-Added Tax, and a commentary on what constitutes a “good” system of taxation. EPRC plans to continue this series for the foreseeable future, and is examining ways to broaden exposure to the briefings among key decision-makers.

*National Tax Reform.* The project has completed translations of the tax package submitted to Parliament, and is continuing to analyze the likely impacts of the various laws. Primary tax laws included are the corporate income tax, personal income tax, and value-added tax. A number of other laws, including excise, immovable property tax, and administrative tax laws, are also affected.

#### *Cluster and Business Development Support*

##### **Tourism**

*Tourist Information Center.* As of July 26, the Tourism Information Center in the Central Post Office had received over 3,500 visitors, 75% of whom were from foreign countries. Since opening in April, 9,000 tourists have visited the center. The most frequent inquiry has been for jeep/guide hire information for visits to the countryside.

*Visitor Survey.* A survey of 4,000 visitors to Mongolia will begin on August 1. Exit interviews will be conducted in the departure lounge at Ulaanbaatar airport and on the trains to Beijing. The survey follows a similar survey conducted in 2002, and will track developments in the tourism industry over the past three years.

*Aimag Inventory of Tourist Sites.* Peace Corps Volunteers in Khentii and Ovorkhangai *aimags* have begun an exercise to survey and document tourism sites, attractions and events in the *aimags*. This information will be used as the basis for *aimag* websites, constructed by the volunteers, which in turn will be part of a national tourism portal to be developed in the near future.

##### **Natural Fibers**

*Hong Kong Cashmere Linkage.* Philip Eddleston, EPRC’s short-term textile specialist, has returned from Hong Kong where he has been planning a trade mission for selected cashmere garment producers. Hong Kong is home to the buying offices of all the major brand holders and retail chains. The mission will take place this fall, and will include some of the smaller Mongolian producers.

*Business Development Fund (BDF).* Work on the two cashmere-related BDF proposals approved in June continued in July. The companies were Eermel Cashmere for design and marketing of a new range of woven products, and Altai Cashmere for design and marketing of a new spring and summer collection. The Darkhan Nekhi project to investigate the possible introduction of new technologies to improve tanning and sewing processes was completed in

July. As a result, the company will purchase new tanning machinery and introduce improved chemical processing.

*Mongolian Competitiveness Fund (MCF) Applications.* The trade mission of the Mongolian Meat Association to Beijing took place July 23-26. Delegates attended the Beijing Meat Fair and followed up with meetings with selected importers and processors.

### Finance

#### **SME Financing**

*Development Credit Authority (DCA) Assessment.* Two experts on structuring DCA Loan Portfolio Guarantees (LPGs) arrived in Mongolia in July, working with the resident EPRC finance team to conduct an assessment of bank and small and medium enterprise (SME) loan demand. In early August the team will make recommendations to the Mission on appropriate DCA guarantees that could help the banking sector increase medium term lending to SMEs for capital investment and expansion.

*SME Law.* The Ministry of Industry and Trade and the Ministry of Justice have agreed on a draft SME Law to be presented to the SGH in the fall session. EPRC will review the draft law and provide comments to the Government.

### Public Education/National Dialogue Support

#### **Open Government Website Chats**

Continuing the *Open Government Website* program of on-line chats of Ministers and public officials with citizens, Mr. Sarnatungalag, Advisor to the Minister of Roads, Transportation and Tourism, was on the hot seat July 22.

## **The Gobi Initiative Phase II** ***Mercy Corps International and PACT***

#### **US Ambassador Slutz Visits Gobi**

US Ambassador Pamela Slutz visited the Gobi project office in Gobi-Sumber in July, and met with both herder and non-herder clients. The Ambassador also met with the *aimag* Governor and several of the *aimag*-based consultants.

#### **Gobi II Highlighted by ILO**

The Gobi Initiative will appear in the International Labor Organization's (ILO's) "BDS Reader", highlighting innovative business development services (BDS) programs around the world. The brief one-page summary, entitled "Enabling Remote Rural Herders to Diversify their Business Activities", provides statistics about the project and details concerning the current BDS structure of the project and post-project sustainability plans. Business information dissemination methods, including "Market Watch" are also mentioned.

#### **Cooperative Leadership**

The process of assessing the organizational development and future leadership needs of herder cooperatives has begun, with a three-day workshop held in early July for all *aimag*-based Gobi program officers. The workshop also provided an opportunity for project staff to share and discuss problems that they regularly encounter while working with the cooperatives.

#### **Arid Lands Consultancy**

Gary Hickman, an international "arid-lands" agricultural expert, arrived in July for a six-week project consultancy. Mr. Hickman will work with staff to validate the project's agricultural strategy and to develop a policy and set of parameters/standards covering vegetable and fodder crop production in the Gobi and Hangai regions. Mr. Hickman will also provide "one-on-one" technical

assistance to herder clients and training to *aimag*-based training and technical assistance providers on topics such as soil fertility, irrigation systems, pest control methods, and planting/cultivation systems for arid regions.

### **New TV Drama Production**

PACT completed production of the first four episodes of the new 26-part educational TV drama "Endless Labyrinth". The series tracks the efforts of a rural family to develop and operate a small rural business, and the challenges they face in researching the local market, securing financing, producing a quality product, managing the business, and dealing with corruption issues. The series will begin appearing in August.

## **The GER Initiative** ***CHF International***

July was not as busy as June for the GER Initiative. Still, 20 businesses were improved and expanded, seven new startups were created, 51 people were matched to jobs, and 32 new job placements were generated.

### **Training**

Some 95 clients participated in business training this month, with special training taking place in vegetable, fruit, and swine production.

### **Consulting**

GER provided consulting services to 181 clients in July; 86 (47%) of them are ongoing clients and 95 were new clients. Special consultancies included work on handicrafts; sewing clients; café and restaurant operations; and a client who makes fuel bricks from animal dung.

### **Financial Services**

GER facilitated or financed 48 loans in July, worth about \$37,840. Eight Capital Augmentation Fund (CAF) loans were facilitated, disbursing a total of about \$5,275.

### **Information and Linkages**

Some 137 GER clients accessed 207 information services from the project in July. Highlights include:

- GER developed its capacity to implement the *khashaa* valuation survey by developing a valuation data base and manual.
- Two handicraft trade fairs were held for Naadam in Ulaanbaatar.
- The Yarmag office organized clients to meet with large food products producers. Introductions resulted in eleven GER clients buying at favorable wholesale prices and coordinating factory delivery to their shops.
- GER made a linkage between the Gazriin Uguuj jam group and Ivanhoe Mines. The jam group is ready to deliver the first order of 220 jars of strawberry jam.
- Terguun Shaglaa, a sewing/textile group, has been actively pursuing linkages with large companies. This came to fruition in July, with a \$1150 order for work gloves from a local mine.
- The community day fairs were completed in July. Five one-day fairs were run over three weekends; 170 clients participated, and roughly \$4500 in sales was made in purchases and orders. Savings Bank supported all of the community days, and TV media covered three of the events.

### **Employment Matching and Training**

Eighty-six GER clients participated in employment training and six in vocational training in July. The Darkhan Business Development Center is developing a relationship with Shuvuutiin Gol Trade LLC, a new manufacturer of soap powder who will eventually be hiring 43 employees.

Meanwhile, some of the GER clients placed in jobs at the DOZT company have become full time workers with significant increases in salary.

#### **Other**

GER opened the Ulaanbaatar Dambadarjaa branch office in July, and received a request from the governor of Jargalan *soum* to open a branch office there. Also in July, the Choibalsan Newspaper ran an article about USAID Representative Skip Waskin's visit to Choibalsan in June, and an article about the success of one of the GER Initiative clients.

## **Eastern Steppe Living Landscape Project** **Wildlife Conservation Society**

The Wildlife Conservation Society (WCS) is in the midst of its summer field season. Much of this work is based on the Eastern Steppe, with coordination through the country office in Ulaanbaatar.

#### **Marmot Survey Update**

Dr. Sue Townsend, in collaboration with the National University of Mongolia, will complete the final portion of a survey of Siberian marmots on the Eastern Steppe on July 31. The team is using transect survey methods to identify marmot colonies and develop an understanding of marmot distribution and density. Recent declines in marmot numbers have forced the Mongolian government to restrict marmot hunting and preliminary data from this study confirm the population decline. The improved understanding of marmot biology and distribution in the Eastern Steppe will allow for better management of the species.

#### **BBC Films WCS Gazelle Work**

WCS gazelle biologist Kirk Olson guided a team of BBC documentary filmmakers for two weeks in July as they gathered footage of gazelle, other wildlife, and habitat types on the Eastern Steppe. The Eastern Steppe will be one of the featured grasslands in the upcoming "Great Plains" documentary on the BBC "One Planet" series. This is the third year the BBC team has visited the region. The final program will raise international awareness of this unique grassland ecosystem and the gazelle herds that represent the last great migration spectacle in Asia.

#### **Gazelle Pasture Availability Study Update**

Thomas Mueller, Smithsonian Fellow and PhD student at the University of Maryland, completed a preliminary data collection trip in Dornod *aimag* in July. He collected vegetation data on gazelle calving grounds to refine his NDVI-based model of gazelle pasture availability and grazing preferences.

#### **Gazelle Disease and Parasite Work**

The July sampling period of the 12-month study designed to monitor disease and parasites in Mongolian gazelle and the livestock that share their pastures is under way. Blood and fecal samples were collected from gazelle calves in June and July and livestock sampling will continue through July and August.

#### **Key WCS Reports Finalized**

Distribution of the "Protected Areas of the Eastern Steppe of Mongolia" report is complete. English versions of the "Important Bird Area" Report and "Przewalski's Horse Reintroduction Assessment" are also complete, and are currently being translated into Mongolian. Upcoming reports include the "Mongolian Gazelle Management and Action Plan" and the "Nomrog Ungulate Survey".

#### **New WCS Chief of Party**

Dr. Amanda Fine is now in Mongolia and in the process of taking over the position of WCS Country Program Director and Chief of Party for the USAID/Mongolia Eastern Steppes Project.

Former COP Peter Zahler has assumed the position of WCS Assistant Asia Director. He will be based in New York, but will visit Mongolia periodically and will continue to oversee the Mongolia program as part of his portfolio as Assistant Asia Director.

## **STRATEGIC OBJECTIVE 2: MORE EFFECTIVE AND ACCOUNTABLE GOVERNANCE**

### **Judicial Reform Project (JRP)** ***National Center for State Courts (NCSC)***

#### **Second Bar Exam Administered**

The second Mongolian Lawyer Qualification Examination (“bar exam”) was given July 22-23. The lessons learned from a recent JRP-sponsored study tour on bar exams in the US were almost fully implemented, and this bar exam proceeded far better than the first. The test was held at three sites in the countryside and 10 sites in Ulaanbaatar. Over 2,000 examinees sat for the test, which consisted of 100 multiple choice questions graded by machine graders supplied by JRP. For the first time, essay questions were included. The essays largely replace the more subjective interviews given last year. While some organizational problems were noted, the exam proceeded well compared to last year. Cheating by copying was eliminated by having multiple versions of the multiple choice examination, and security was very tight for the creation and printing of the exam questions. Allegations of cheating that were made after the exam are being swiftly and effectively investigated, a process in which JRP is assisting the examination committee. Results of the essay portion of the examination will be known in a few weeks.

#### **Court Administration Manual Completed**

The Court Administrative Manual was completed in July and sent to the printers, marking the completion of a long-term effort. The manual was originally envisioned within the first two years of project implementation, but was delayed so that procedural changes could be made to legislation and regulations before incorporation into the manual. For the first time, all courts will have a guide to every aspect of court management and all procedures will be uniform throughout the country.

#### **Management Assessment of the Office of the Prosecutor General**

A management assessment of the Office of the Prosecutor General was completed in July and is being translated into English. JRP facilitated the assessment and will help the Office implement the recommendations. The Prosecutor General, Altankhuyag was reappointed by the President.

#### **Public Affairs Officers Trained**

Training for court public affairs officers was held in July. This is the first time that each court has had to designate an employee responsible for public affairs. The course began with public affairs officers from other institutions explaining their work. Supreme Court Chief Justice Ganbat emphasized the importance of providing information to the public in building public support for the justice system. Participant feedback was very positive, and the training represents a significant step in improving the transparency of the justice system.

### **Political Parties and Parliamentary Support Project** ***International Republican Institute (IRI)***

#### **Legislative Support**

IRI worked with key Members of Parliament (MPs) in July on the new ethics legislation that was submitted to the Speaker of the Parliament on June 23. IRI also worked with key MPs on passage of the Committee Rules Draft Law by the SGH State Structure Committee.

### **Parliamentary Exchange Program**

IRI spent part of July coordinating details with IRI's home office, USAID, and the US Embassy for the seven selected MPs who will participate in the MP exchange program to Washington, DC from September 13-23.

### **Election Support**

IRI began preparatory work for the August 28 SGH by-election in Constituency #65 in Ulaanbaatar. As part of that effort, IRI Country Director John Poepsel and USAID Representative Skip Waskin met with General Election Commission Chairman Yadamsuren to emphasize the U.S. Embassy's interest in assuring that this by-election is conducted fairly.

## **Training, Advocacy and Networking (TAN) Project** *Mercy Corps International*

### **CSO Networking**

As part of its efforts to link local citizens to government, in July the Dundgovi civil society organization (CSO) network began soliciting the opinions and complaints of local citizens and delivering them to the respective local government departments. The network is currently advertising this service among local communities and has already received opinions from ten local citizens.

### **Corruption Training**

A two-day training session on "Participatory Corruption Appraisal" was conducted in Uvurhangai involving 15 CSO representatives. As a follow-on activity to the training, the Uvurhangai CSO network will organize community focus group meetings to discuss the topic of corruption among local citizens, government organizations and community leaders.

### **Project Expansion**

TAN Program staff traveled to Selenge, Bulgan and Arhangai *aimags* in July to begin selection of three new *aimags* that will join the project later this year. The staff met with 31 local CSOs, gathering information on their current activities and organizational development needs. The team will visit Khentii and Tuv *aimags* in August.

## **PART II: COUNTRY NEWS**

### **Nature Bites Back**

Nature flexed its muscles in Mongolia in July. An earthquake registering 5.1 on the Richter scale occurred in Dundgovi Aimag on July 21, followed shortly by two similar-magnitude events a few hours later that damaged some buildings. A heavy thunderstorm rocked parts of Uvurhangai Aimag on July 13, killing four people and eight hundred livestock. Heavy rain hit UB on July 12, bringing down electric poles and leading to local flooding. Strong winds and rain occurred in several areas during Nadaam, with winds reaching 50 kilometers per hour in one place. Electric poles were downed, and *gers* and houses damaged. The Bogd river in Zavhan Aimag broke its banks on July 16, making it uncrossable and stranding a number of people for several days. And finally, a forest fire in Uvs Aimag broke out and burned for over a week. Here's hoping that Mother Nature quiets down for the rest of the year.

### **Nadaam Report**

Nadaam was a huge success this year—involving the three major traditional sporting competitions of wrestling, horse racing, and archery, as well as broad range of artistic, folk, and fashion shows. The winning wrestler, for the third time, was G. Osokhbayar. In horse racing, new rules came into force stipulating that no rider could be younger than seven years old; they also had to wear a helmet, be insured, have parental permission, and use a saddle. (We imagine

there was quite a bit of grumbling among the young jockeys.) Among the challengers this year were high-end Arabian and Russian breeds, which one local writer said were “good for a short distance but ran out of puff.” In archery, about 170 men competed for one prize and women and children for separate prizes. As is customary, newly elected President Enkhbayar fired an arrow which hit the target—something “the audience took as a good omen that state policy will be right.” And finally, in one of the newer sports, the Ulam Undrakh Company team beat out five competitors to win the final Anklebone Shooting championship.

#### **Kentucky Horse Racing Coming to Town**

The Asia Pacific Equine Investment Co., of Kentucky, USA, recently announced plans to introduce thoroughbred horseracing to Mongolia in 2006.

#### **Roaring Hooves**

The annual Roaring Hooves international music festival took place in July—28 hours by Russian jeep from UB in the depths of the Gobi. This was the seventh year for the festival, which brings together composers, musicians and artists from around the world for cultural exchange and, especially, to make beautiful music.

#### **Historic Tombs to be Relocated**

The Parliament took up a bill in early July to move the tombs of three well-known historical figures from Sukhbaatar Square to local cemeteries. The three include D. Sukhbaatar and H. Choibalsan, currently entombed in crypts at the front of the Parliament building. The relocations are part of plans for changes to the Square in honor of the 840<sup>th</sup> anniversary of the birth of Chinggis Khaan and the 800<sup>th</sup> anniversary of Mongolian statehood, both of which will be celebrated in August 2006.

#### **Thousand Year Old Toothbrushes Found**

Montsame News reports that archeological excavations in the Chintolgoi City ruins in Bulgan Aimag revealed ceramic ware, pottery, ornaments and...four 1000 year old bone toothbrushes. This kind of toothbrush has only apparently been found once before, in South Korea.

That's it.